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CITY OF KAPLAN, LOUISIANA

Financial Report

Year Ended June 30, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/10/08

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INDEPENDENT AUDITORS' REPORT

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The Honorable Linda Hardee, Mayor,
and Members of the City Council
City of Kaplan, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 11, 2008, on our consideration of the City of Kaplan, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The required supplementary information on pages 44 and 45 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City of Kaplan has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kaplan's basic financial statements. The supplementary information on pages 50 through 54 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
November 11, 2008

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

CITY OF KAPLAN, LOUISIANA

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and interest-bearing deposits	\$ 1,397,200	\$ 1,953,567	\$ 3,350,767
Receivables, net	16,390	1,139,549	1,155,939
Due from other governmental units	191,861	-	191,861
Total current assets	<u>1,605,451</u>	<u>3,093,116</u>	<u>4,698,567</u>
Noncurrent assets:			
Restricted assets:			
Cash and interest-bearing deposits	-	790,244	790,244
Capital assets, net	<u>5,875,171</u>	<u>13,802,945</u>	<u>19,678,116</u>
Total noncurrent assets	<u>5,875,171</u>	<u>14,593,189</u>	<u>20,468,360</u>
Total assets	<u>7,480,622</u>	<u>17,686,305</u>	<u>25,166,927</u>
LIABILITIES			
Current liabilities:			
Accounts and other payables	181,443	352,866	534,309
Compensated absences payable	27,548	50,919	78,467
Internal balances	(245,869)	245,869	-
Claims payable	24,000	-	24,000
Accrued interest	11,147	13,664	24,811
Capital lease payable	7,473	-	7,473
Bonds payable	<u>62,000</u>	<u>481,835</u>	<u>543,835</u>
Total current liabilities	<u>67,742</u>	<u>1,145,153</u>	<u>1,205,422</u>
Noncurrent liabilities:			
Claims payable	28,000	-	28,000
Customer deposits payable	-	294,745	294,745
Capital lease payable	26,032	-	26,032
Bonds payable	<u>695,000</u>	<u>2,632,612</u>	<u>3,327,612</u>
Total noncurrent liabilities	<u>749,032</u>	<u>2,927,357</u>	<u>3,676,389</u>
Total liabilities	<u>816,774</u>	<u>4,072,510</u>	<u>4,889,284</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,073,518	10,674,834	15,748,352
Restricted for debt service	71,860	-	71,860
Unrestricted	<u>1,518,470</u>	<u>2,938,961</u>	<u>4,457,431</u>
Total net assets	<u>\$ 6,663,848</u>	<u>\$ 13,613,795</u>	<u>\$ 20,277,643</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF KAPLAN, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2008

Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		Total
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 699,989	\$ 198,307	\$ 10,354	\$ 28,000	\$ (463,328)	\$ -	\$ (463,328)
Public safety:							
Police	866,655	42,510	20,000	-	(804,145)	-	(804,145)
Fire	195,023	-	62,002	224,548	91,527	-	91,527
Streets	371,198	-	-	103,303	(267,895)	-	(267,895)
Culture and recreation	45,657	-	-	2,684	(42,973)	-	(42,973)
Interest on long-term debt	33,357	-	-	-	(33,357)	-	(33,357)
Total governmental activities	2,211,879	240,817	92,356	358,535	(1,520,171)	-	(1,520,171)
Business-type activities:							
Electric	3,114,143	4,983,515	-	-	-	1,869,372	1,869,372
Gas	890,069	813,663	-	-	-	(76,406)	(76,406)
Water	469,399	476,722	-	-	-	7,323	7,323
Sewerage	633,668	503,893	-	16,108	-	(113,667)	(113,667)
Total business-type activities	5,250,205	6,777,793	-	16,108	-	1,543,696	1,543,696
Total	\$ 7,462,084	\$ 7,018,610	\$ 92,356	\$ 374,643	(1,520,171)	1,543,696	23,525
General revenues:							
Taxes -							
Property taxes, levied for general purposes					67,115	-	67,115
Property taxes, levied for bond retirement					97,259	-	97,259
Sales and use taxes, levied for general purposes					590,291	-	590,291
Franchise taxes					21,458	-	21,458
Beer taxes					12,973	-	12,973
Tobacco taxes					7,557	-	7,557
Interest and investment earnings					20,461	60,361	80,822
Miscellaneous					45,887	17,529	63,416
(Loss) Gain on sale of capital assets					(752)	6,250	5,498
Transfers					1,198,973	(1,198,973)	-
Total general revenues and transfers					2,061,222	(1,114,833)	946,389
Change in net assets					541,051	428,863	969,914
Net assets - July 1, 2007					6,122,797	13,184,932	19,307,729
Net assets - June 30, 2008					\$ 6,663,848	\$ 13,613,795	\$ 20,277,643

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTIONS

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Special Revenue Fund

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Sales Tax Fund

To account for the receipts and use of proceeds of the City's one percent sales and use tax. These taxes are dedicated for the following purposes: (1) Constructing, acquiring, extending, and/or improving public parks and recreational facilities, drainage facilities, streets and street lighting facilities, sewers and sewerage disposal works, waterworks, natural gas facilities, electrical distribution facilities, public buildings (including a jail and/or fire department stations and equipment) and purchasing and acquiring equipment and furnishings for the aforesaid public works, buildings, improvements and facilities, title to which improvements shall be in the public and (2) Paying principal and interest on any bonded or funded indebtedness of said City or for any one or more of said purposes, and such tax to be subject to funding into bonds by said City in the manner authorized by Sub Part D, Part I, Chapter 6, Title 33 of the Louisiana Revised Statutes of 1950.

Enterprise Fund

To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

Utility Fund -

To account for the provision of electric, gas, water and sewer services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

CITY OF KAPLAN, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2008

	General	Sales Tax	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 182,073	\$ 608,098	\$ 127,725	\$ 917,896
Receivables:				
Due from other funds	500	432,752	20,438	453,690
Due from other governmental entities	9,713	108,583	73,565	191,861
Accrued interest receivable	545	3,192	35	3,772
Other receivables	6,425	881	237	7,543
Total assets	<u>\$ 199,256</u>	<u>\$1,153,506</u>	<u>\$ 222,000</u>	<u>\$1,574,762</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 32,646	\$ 23,898	\$ 1,278	\$ 57,822
Contract payable	-	-	81,447	81,447
Retainage payable	-	-	9,050	9,050
Compensated absences payable	27,548	-	-	27,548
Due to other funds	207,221	-	600	207,821
Total liabilities	<u>267,415</u>	<u>23,898</u>	<u>92,375</u>	<u>383,688</u>
Fund balances:				
Reserve for debt retirement	-	-	71,860	71,860
Unreserved, undesignated	(68,159)	1,129,608	57,765	1,119,214
Total fund balances	<u>(68,159)</u>	<u>1,129,608</u>	<u>129,625</u>	<u>1,191,074</u>
Total liabilities and fund balances	<u>\$ 199,256</u>	<u>\$1,153,506</u>	<u>\$ 222,000</u>	<u>\$1,574,762</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF KAPLAN, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2008

Total fund balances for governmental funds at June 30, 2008 \$ 1,191,074

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 114,547	
Construction in progress	134,122	
Building, net of \$513,997 accumulated depreciation	538,647	
Infrastructure, net of \$5,171,011 accumulated depreciation	4,250,158	
Equipment, net of \$1,009,676 accumulated depreciation	<u>837,697</u>	5,875,171

Long-term liabilities at June 30, 2008:

Claims payable	(52,000)	
Capital lease payable	(33,505)	
Bonds payable	(757,000)	
Accrued interest payable	<u>(11,147)</u>	(853,652)

Net assets of the Group Insurance Self - Insurance Internal Service Fund 451,255

Total net assets of governmental activities at June 30, 2008 \$ 6,663,848

The accompanying notes are an integral part of the basic financial statements.

CITY OF KAPLAN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds For the Year Ended June 30, 2008

	General	Sales Tax	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 67,115	\$ 590,291	\$ 97,259	\$ 754,665
Licenses and permits	219,765	-	-	219,765
Intergovernmental	105,787	-	369,853	475,640
Fines and forfeits	32,586	-	5,705	38,291
Interest income	547	18,495	1,419	20,461
Miscellaneous	41,535	-	4,352	45,887
Total revenues	<u>467,335</u>	<u>608,786</u>	<u>478,588</u>	<u>1,554,709</u>
Expenditures:				
Current -				
General government	637,508	60,891	-	698,399
Public safety:				
Police	826,263	-	4,997	831,260
Fire	100,287	-	52,150	152,437
Streets, bridges, and drainage	334,972	-	-	334,972
Culture and recreation	35,446	-	-	35,446
Capital outlay	91,222	168,175	331,225	590,622
Debt service -				
Principal retirement	-	5,973	56,000	61,973
Interest and fiscal charges	-	1,396	32,693	34,089
Total expenditures	<u>2,025,698</u>	<u>236,435</u>	<u>477,065</u>	<u>2,739,198</u>
(Deficiency) excess of revenues over expenditures	<u>(1,558,363)</u>	<u>372,351</u>	<u>1,523</u>	<u>(1,184,489)</u>
Other financing sources (uses):				
Proceeds from capital lease	-	39,478	-	39,478
Transfers in	1,581,450	1,904	22,853	1,606,207
Transfers out	(17,194)	(388,136)	(1,904)	(407,234)
Total other financing sources (uses)	<u>1,564,256</u>	<u>(346,754)</u>	<u>20,949</u>	<u>1,238,451</u>
Net changes in fund balances	5,893	25,597	22,472	53,962
Fund balances, beginning	<u>(74,052)</u>	<u>1,104,011</u>	<u>107,153</u>	<u>1,137,112</u>
Fund balances, ending	<u>\$ (68,159)</u>	<u>\$ 1,129,608</u>	<u>\$ 129,625</u>	<u>\$ 1,191,074</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF KAPLAN, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008

Total net changes in fund balances at June 30, 2008 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 53,962
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The change in net assets reported for governmental activities in the
statement of activities is different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 590,622	
Depreciation expense for the year ended June 30, 2008	<u>(193,687)</u>	396,935

Effect of disposal of capital assets is to decrease net assets.	(752)
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Governmental funds report bonded debt repayments as expenditures.
However, this expenditure does not appear in the statement of activities
since the payment is applied against the bond payable balance on the
statement of net assets

61,973

Issuance of long-term debt (e.g., bonds and leases)	(39,478)
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Add: Net income on the Group Insurance Self- Insurance Internal Service Fund	43,679
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Some expenses reported in the statement of activities do not require the use of
current financial resources and, therefore, are not reported as expenditures in
governmental funds

24,000

Difference between interest on long-term debt on modified accrual basis
versus interest on long-term debt on accrual basis

732

Total changes in net assets at June 30, 2008 per Statement of Activities	<u>\$ 541,051</u>
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The accompanying notes are an integral part of the basic financial statements.

CITY OF KAPLAN, LOUISIANA

Proprietary Funds
Statement of Net Assets
June 30, 2008

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
ASSETS		
Current assets:		
Cash	\$ 1,953,567	\$ 479,304
Receivables:		
Accounts, net of allowance for uncollectible of \$411,033 for 2008	630,838	-
Unbilled utility receivables	498,792	-
Accrued interest receivable	9,919	5,075
Total current assets	<u>3,093,116</u>	<u>484,379</u>
Noncurrent assets:		
Restricted assets -		
Interest-bearing deposits	790,244	-
Capital assets, net of accumulated depreciation	<u>13,802,945</u>	<u>-</u>
Total noncurrent assets	<u>14,593,189</u>	<u>-</u>
Total assets	<u>17,686,305</u>	<u>484,379</u>
LIABILITIES		
Current liabilities:		
Accounts payable	352,866	-
Compensated absences payable	50,919	-
Claims payable	-	33,124
Due to other funds	245,869	-
Payable from restricted assets -		
Revenue bonds, net of deferred amount on refunding	481,835	-
Accrued interest payable	<u>13,664</u>	<u>-</u>
Total current liabilities	<u>1,145,153</u>	<u>33,124</u>
Noncurrent liabilities:		
Customers' deposits payable	294,745	-
Revenue bonds, net of deferred amount on refunding	<u>2,632,612</u>	<u>-</u>
Total noncurrent liabilities	<u>2,927,357</u>	<u>-</u>
Total liabilities	<u>4,072,510</u>	<u>33,124</u>
NET ASSETS		
Invested in capital assets, net of related debt	10,674,834	-
Unrestricted	<u>2,938,961</u>	<u>451,255</u>
Total net assets	<u>\$ 13,613,795</u>	<u>\$ 451,255</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF KAPLAN, LOUISIANA

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year Ended June 30, 2008

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
Operating revenues:		
Charges for services	<u>\$ 6,777,793</u>	<u>\$ 297,268</u>
Operating expenses:		
Electricity department expenses	3,040,207	-
Gas department expenses	809,133	-
Water department expenses	369,576	-
Sewerage department expenses	323,447	-
Depreciation expense	564,916	-
Self insurance expenses	-	266,043
Total operating expenses	<u>5,107,279</u>	<u>266,043</u>
Operating income	<u>1,670,514</u>	<u>31,225</u>
Nonoperating revenues (expenses):		
Interest income	60,361	12,454
Franchise fee	17,529	-
Interest expense	(141,826)	-
Amortization of bond issuance costs	(1,100)	-
Gain on sale of assets	6,250	-
Total nonoperating revenues (expenses)	<u>(58,786)</u>	<u>12,454</u>
Income before contributions and transfers	<u>1,611,728</u>	<u>43,679</u>
Capital contributions	<u>16,108</u>	<u>-</u>
Transfers in (out):		
Transfers in	382,477	-
Transfers out	(1,581,450)	-
Total transfers in (out)	<u>(1,198,973)</u>	<u>-</u>
Change in net assets	428,863	43,679
Net assets, beginning	<u>13,184,932</u>	<u>407,576</u>
Net assets, ending	<u>\$ 13,613,795</u>	<u>\$ 451,255</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF KAPLAN, LOUISIANA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
Cash flows from operating activities:		
Receipts from customers	\$ 6,699,023	\$ 297,268
Payments to suppliers	(3,898,213)	(286,743)
Payments to employees	(580,916)	-
Net cash provided by operating activities	<u>2,219,894</u>	<u>10,525</u>
Cash flows from noncapital financing activities:		
Franchise fees	17,529	-
Cash paid to other funds	(14,020)	-
Meter deposits, net of refunds	(3,237)	-
Transfers from other funds	382,477	-
Transfers to other funds	(1,581,450)	-
Net cash used by noncapital financing activities	<u>(1,198,701)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Capital contribution	16,108	-
Principal paid on bonds and notes	(151,551)	-
Interest and fiscal charges paid on bonds	(145,338)	-
Acquisition of capital assets	(118,278)	-
Net cash used by capital and related financing activities	<u>(399,059)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>62,469</u>	<u>11,447</u>
Net cash provided by investing activities	<u>62,469</u>	<u>11,447</u>
Net increase in cash and cash equivalents	684,603	21,972
Cash and cash equivalents, beginning of period	<u>2,059,208</u>	<u>457,332</u>
Cash and cash equivalents, end of period	<u>\$ 2,743,811</u>	<u>\$ 479,304</u>

(continued)

CITY OF KAPLAN, LOUISIANA

Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended June 30, 2008

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$1,670,514	\$ 31,225
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	564,916	-
Gain on sale of assets	6,250	-
Changes in current assets and liabilities:		
Increase in accounts receivable, net	(43,990)	-
Increase in unbilled utility receivables	(34,780)	-
Increase in accounts payable	51,478	-
Increase in claims in process	-	(20,700)
Increase in compensated absences payable	5,506	-
Net cash provided by operating activities	<u>\$2,219,894</u>	<u>\$ 10,525</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:		
Cash and cash equivalents, beginning of period -		
Cash - unrestricted	\$1,474,530	\$ 457,332
Interest-bearing deposits - restricted	584,678	-
Total cash and cash equivalents	<u>2,059,208</u>	<u>457,332</u>
Cash and cash equivalents, end of period -		
Cash - unrestricted	1,953,567	479,304
Interest-bearing deposits - restricted	790,244	-
Total cash and cash equivalents	<u>2,743,811</u>	<u>479,304</u>
Net increase	<u>\$ 684,603</u>	<u>\$ 21,972</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the City of Kaplan (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The City of Kaplan was incorporated in 1902 under the provisions of the Lawrason Act. The City operates under a Mayor-City Council form of government and provides the following services as authorized by its charter: public safety, police, fire, civil defense, highways and streets, sanitation, culture - recreation, public improvements, planning and zoning, and general administrative services.

A financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. GASB Statement No. 14, The Financial Reporting Entity, establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. A potential component unit must have separate corporate powers that distinguish it as being legally separate from the primary government. These include the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued in its own name without recourse to a State or local government, and the right to buy, sell, lease, and mortgage property in its own name.
2. The primary government must be financially accountable for a potential component unit. Financial accountability may exist as a result of the primary government appointing a voting majority of the potential component unit's governing body; their ability to impose their will on the potential component unit by significantly influencing the programs, projects, activities, or level of services performed or provided by the potential component unit; or the existence of a financial benefit or burden. In addition, financial accountability may also exist as a result of a potential component unit being fiscally dependent on the primary government.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

In some instances, the potential component unit should be included in the reporting entity (even when the criteria in No. 2 above are met), if exclusion would render the reporting entity's financial statements incomplete or misleading.

Based on the foregoing criteria, the following governmental organizations are not considered part of the City and are thus excluded from the accompanying financial statements for the reasons noted:

The Kaplan Housing Authority was chartered by the City, and its Board of Directors was appointed by the Mayor and City Council. However, the City's oversight responsibilities in the management of operations and financial accountability are remote.

The City of Kaplan has no authority over nor is it involved with the record keeping of the Kaplan Volunteer Fire Department.

The Kaplan City Court is operated under the directorship of the Kaplan City Judge who is an elected public official. Revenues are derived from court costs and appropriations from the City's General Fund. However, the City cannot significantly influence operations nor does it have responsibility for fiscal management.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities displays information about the City of Kaplan, the reporting government, as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The City's internal service fund is a governmental activity. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Fund Financial Statements

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Fund financial statements report detailed information about the City.

The various funds of the City are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total of all governmental and enterprise funds combined.

The major funds of the City are described below:

Governmental Funds –

General Fund

The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the general fund.

Special Revenue Fund –

Sales Tax Fund

The Sales Tax Fund is used to account for the proceeds of a one percent sales and use tax that is legally restricted to expenditures for a specific purpose.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Proprietary Funds -

The City reports the following major enterprise fund:

Utility Fund

The Utility fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City applies all applicable FASB pronouncements issued after November 30, 1989 in accounting and reporting for its enterprise fund.

Other Fund Types -

The City also reports the following fund types:

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The City's internal service fund is the Self Insurance Fund. This proprietary fund is reported with governmental activities in the government-wide statements.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used.

Program revenues

Program revenues included in the statement of activities are derived directly from the program itself or from parties outside the City's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Allocation of indirect expenses

The City reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the statement of activities. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

D. Assets, Liabilities and Equity

Cash, interest-bearing deposits, and investments

For purposes of the statements of net assets, cash and interest-bearing deposits include all demand accounts, saving accounts, and certificates of deposits of the City. For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased. See Note (4) for other GASB No. 3 disclosures.

Investments

Under state law, the City may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The City may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana Law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem and sales and use taxes. Business-type activities report customer's utility service receivables as their major receivables. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectibles for customers' utility receivables was \$411,033 at June 30, 2007. Unbilled utility service receivable resulting from utility services rendered between the date of meter reading and billing and the end of the month are recorded at year-end.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Prior to July 1, 2001, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Equipment	5-30 years
Utility system and improvements	25 years
Infrastructure	20-50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Sick leave vest only upon retirement, therefore an accrual is made only when an employee is eligible for retirement. Amounts are accrued when incurred in proprietary funds and reported as a fund liability. Amounts that are expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it.

Restricted Assets

Restricted assets include cash and interest-bearing deposits of the proprietary fund that are legally restricted as to their use. The restricted assets are related to the revenue bond accounts and utility meter deposits.

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of the revenue bonds payable and utility meter deposits payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Equity Classification

In the government-wide statements, equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source

Legal Restrictions of Use

Sales tax

See Note 3

Electricity, gas, water and sewer revenue

Debt service and utility operations

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

The City uses unrestricted resources only when restricted resources are fully depleted.

G. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Clerk prepares a proposed budget for the fiscal year and submits it to the Mayor and Council no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Council.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the Council.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(2) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City on September 1 and are actually billed to taxpayers in November. The taxes are generally collected in December of the current year and January and February of the subsequent year. Property tax revenues are recognized when levied to the extent that they result in current receivables.

For the years ended June 30, 2008, taxes of 10.31 mills were levied on property with assessed valuations totaling \$16,068,290 and were dedicated as follows:

General corporate purposes	4.20 mills
Bond indebtedness	<u>6.11</u> mills
Total	<u>10.31</u> mills

Total taxes levied at June 30, 2008 were \$164,374. There were no ad valorem taxes receivable at June 30, 2008.

(3) Dedication of Proceeds and Flow of Funds – Sales and Use Tax Levies

Proceeds of the one percent sales and use tax levied by the City (2008 collections \$590,291) are dedicated to the following purposes:

- a. Constructing, acquiring, extending, and/or improving public parks and recreational facilities, drainage facilities, streets and street lighting facilities, sewers and sewerage disposal works, waterworks, natural gas facilities, electrical distribution facilities, public buildings (including a jail and/or fire department stations and equipment) and purchasing and acquiring equipment and furnishings for the aforesaid public works, buildings, improvements and facilities, title to which improvements shall be in the public.
- b. Paying principal and interest on any bonded or funded indebtedness of said City or for any one or more of said purposes, and such tax to be subject to funding into bonds by said City in the manner authorized by Sub Part D, Part I, Chapter 6, Title 33 of the Louisiana Revised Statutes of 1950.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(4) Cash and Interest-Bearing Deposits

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The City may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. The City may also invest in shares of any homestead and building and loan association in any amount not exceeding the federally insured amount. At June 30, 2008, the City has cash and interest-bearing deposits (book balances) totaling \$4,141,011 as follows:

Demand deposits	\$ 277,133
Savings and certificates of deposits	<u>3,863,878</u>
Total	<u>\$ 4,141,011</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the City's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2008, are as follows:

Bank balances	<u>\$ 3,713,877</u>
Federal deposit insurance	530,502
Pledged securities (Category 3)	<u>3,183,375</u>
Total insurance and pledged securities	<u>\$ 3,713,877</u>

As of June 30, 2008, the City's total bank balances were fully insured and collateralized with securities held in the name of the City by the pledging financial institution's agent and, therefore, they were not exposed to custodial credit risk.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(5) Receivables

Receivables at June 30, 2008 of \$1,155,939 consist of the following:

	Governmental Activities	Business Type Activities	Total
Accounts	\$ -	\$ 630,838	\$ 630,838
Unbilled revenue	-	498,792	498,792
Accrued interest	8,847	9,919	18,766
Other	7,543	-	7,543
Totals	<u>\$ 16,390</u>	<u>\$ 1,139,549</u>	<u>\$ 1,155,939</u>

Allowance for uncollectable accounts in the business type activities was \$411,033 for 2008 and 398,474 for 2007.

(6) Due from Other Governmental Units

Amounts due from other governmental units consisted of the following at June 30, 2008:

Amount due from Kaplan City Court for fines collected at fiscal year ending June 30, 2008	\$ 4,100
Amount due from the State of Louisiana Department of Administration for Community Development Block Grant at June 30, 2008	73,303
Amount due from the State of Louisiana Department of Transportation at fiscal year ending June 30, 2008	2,303
Amount due from the State of Louisiana Department of Revenue for Beer Taxes owed at fiscal year ending June 30, 2008	3,572
Amount due from the Vermilion Parish School Board for sales taxes owed at fiscal year ending June 30, 2008	108,583
	<u>\$ 191,861</u>

(7) Restricted Assets – Propriety Fund Type (Enterprise Utility Fund)

Restricted assets were applicable to the following at June 30, 2008:

Customers' deposits	\$ 294,745
Bond sinking fund account	320,480
Total restricted assets	<u>\$ 615,225</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(8) Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance 7/1/2007	Additions	Deletions	Balance 6/30/2008
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 114,547	\$ -	\$ -	\$ 114,547
Construction in progress	-	134,122	-	134,122
Other capital assets:				
Buildings	1,044,335	8,309	-	1,052,644
Infrastructure	9,415,006	6,163	-	9,421,169
Equipment, furniture and fixtures	1,430,387	442,028	25,042	1,847,373
Totals	12,004,275	590,622	25,042	12,569,855
Less accumulated depreciation				
Buildings	483,205	30,792	-	513,997
Infrastructure	5,154,242	16,769	-	5,171,011
Equipment, furniture and fixtures	887,840	146,126	24,290	1,009,676
Total accumulated depreciation	6,525,287	193,687	24,290	6,694,684
Governmental activities, capital assets, net	<u>\$ 5,478,988</u>	<u>\$ 396,935</u>	<u>\$ 752</u>	<u>\$ 5,875,171</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 179,309	\$ -	\$ -	\$ 179,309
Other capital assets:				
Buildings and systems	21,113,709	64,501	-	21,178,210
Machinery and equipment	511,898	8,206	-	520,104
Automobiles	359,228	45,571	10,544	394,255
Total other capital assets	22,164,144	118,278	10,544	22,271,878
Less accumulated depreciation				
Buildings and systems	7,458,817	496,975	-	7,955,792
Machinery and equipment	306,979	58,840	-	365,819
Automobiles	148,765	9,101	10,544	147,322
Total accumulated depreciation	7,914,561	564,916	10,544	8,468,933
Business-type activities, capital assets, net	<u>\$ 14,249,583</u>	<u>\$ (446,638)</u>	<u>\$ -</u>	<u>\$ 13,802,945</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 43,368
Police	49,762
Fire	49,658
Streets	40,688
Recreation	10,211
Total depreciation expense	<u>\$193,687</u>

Depreciation expense was charged to business-type activities as follows:

Electric	\$ 73,936
Gas	80,936
Water	99,823
Sewer	310,221
Total depreciation expense	<u>\$564,916</u>

(9) Accounts and Other Payables

The accounts and other payables consisted of the following at June 30, 2008:

	Governmental Activities	Business-type Activities	Total
Accounts	\$ 148,319	\$ 352,866	\$ 501,185
Claims in process	33,124	-	33,124
Totals	<u>\$ 181,443</u>	<u>\$ 352,866</u>	<u>\$ 534,309</u>

(10) Changes in Long-Term Debt

The following is a summary of long-term debt for the year ended June 30, 2008:

	Governmental Activities	Business-type Activities	Total
Long-term bonds payable, July 1, 2007	\$ 813,000	\$ 3,265,998	\$ 4,078,998
Additions	-	-	-
Reductions	(56,000)	(151,551)	(207,551)
Long-term bonds payable, June 30, 2008	<u>\$ 757,000</u>	<u>\$ 3,114,447</u>	<u>\$ 3,871,447</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Bonds payable at June 30, 2008, are comprised of the following individual issues:

General Obligation Bonds (G.O. Bonds):

\$367,000 General Obligation Refunding Bonds, Series 2005, due in annual installments of \$29,000 to \$46,000 through February 1, 2015; at interest rates of 2.40% to 4.30% (to be retired from the proceeds of ad valorem taxes)	\$ 277,000
\$550,000 General Obligation Bonds, Series 2005, for the purpose of resurfacing and improving city streets, due in annual installments of \$23,000 to \$53,000 through March 1, 2020; at an interest rate of 4.15% (to be retired from the proceeds of ad valorem	<u>480,000</u>
Total general obligation bonds	<u>\$ 757,000</u>

Revenue Bonds:

\$615,000 Certificates of Indebtedness, Series 2005, due in annual installments of \$20,000 to \$190,000 through September 1, 2010; interest rate of 5.90% (to be retired from excess annual revenue)	\$ 451,461
\$2,720,000 Utilities Revenue Bonds, Series 2005, due in monthly installments of \$11,914 through June 15, 2045; interest rate of 4.250% (to be retired from excess annual revenue)	<u>2,662,986</u>
Total revenue bonds	<u>3,114,447</u>
Net	<u>\$ 3,114,447</u>

The bonds are due as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal payments	Interest payments	Principal payments	Interest payments	
2009	62,000	30,737	481,834	122,367	696,938
2010	65,000	28,479	31,690	111,273	236,442
2011	69,000	26,009	33,063	109,900	237,972
2012	72,000	23,294	34,496	108,467	238,257
2013	79,000	20,363	35,991	106,972	242,326
2014-2018	306,000	55,396	204,748	510,068	1,076,212
2019-2023	104,000	6,515	253,130	461,686	825,331
2024-2028	-	-	312,945	401,871	714,816
2029-2033	-	-	386,895	327,921	714,816
2034-2038	-	-	478,319	236,497	714,816
2039-2044	-	-	591,347	123,469	714,816
2045	-	-	269,989	11,955	281,944
Totals	<u>\$ 757,000</u>	<u>\$ 190,793</u>	<u>\$ 3,114,447</u>	<u>\$ 2,632,446</u>	<u>\$ 6,694,686</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Defeasance of Debt:

On March 23, 2005, the City issued \$367,000 of General Obligation Refunding Bonds, Series 2005, with an interest rate of 2.40% to 4.30% for the purpose of refunding \$335,000 of outstanding General Obligation Bonds, Series 1995 A, maturing February 1, 2015, bearing interest of 5.20% to 9.00%, and \$200,000 of General Obligation Bonds, Series 1995 B, maturing February 1, 2015, bearing interest of 5.20% to 9.00% and paying the costs of issuance of the bonds. As a result, the General Obligation Bond, Series 1995 A & B, maturing on February 1, 2015, are considered to be defeased and the liability has been removed from the City's books. This current refunding was undertaken to reduce total debt service payments over the next six years by \$83,197 and resulted in an economic gain (difference between the present value of debt service payments on the old and new debt) of \$36,936.

Bond Covenants:

The various bond indentures identified above contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. The City is substantially in compliance with all such significant limitations and restrictions for the year ended June 30, 2008.

(11) Deficit Fund Balance

The General Fund had a deficit fund balance at June 30, 2008 in the amount of \$68,159. The deficit is expected to be funded through transfers from the Utility Fund.

(12) Compensated Absences

Employees of the City earn sick leave at the rate of one day per month, up to a maximum of 120 days. No sick leave is paid upon resignation. Employees separated due to retirement are paid for accumulated sick leave at the hourly rates being earned by that employee at separation. As of June 30, 2008, an accrual of \$19,498 for accumulated sick leave has been recorded, all of which is attributable to business-type activities.

Employees of the City earn vacation when they are hired and it is based upon the number of years of full-time service and varies from 5 to 15 days per year. Vacation leave cannot carryover to the following year. As of June 30, 2008, unpaid accumulated vacation leave totaled \$31,505. As of June 30, 2008, the amount attributable to the governmental activities and business-type activities are \$18,701 and \$12,804, respectively, since it is anticipated the liability will be liquidated with available financial resources.

Employees of the City earn paid time off, instead of overtime pay at a rate of time and a half which is based on the employee's hourly rate, up to a maximum of 240 days. Employees separated due to resignation or termination are paid for the amount of accumulated paid time off they earned by that employee at separation. As of June 30, 2008, an accrual of \$27,464 for accumulated paid time off has been recorded. The amounts attributable to the governmental activities and business-type activities are \$8,847 and \$18,617, respectively.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(12) Flows of Funds: Restrictions on Use -- Utilities Revenues

Bonds and Interest Sinking Fund

The City is required to set aside into a Utilities Revenue Bond Sinking Fund each month a sum equal to 1/6 of the interest falling due on the next payment dated plus 1/12 of the principal falling due on the next principal payment date. Funds deposited in this account are available only for the retirement of maturing bonds and interest.

Reserve Fund

The Utilities Revenue Bond Reserve Fund is maintained solely for the purpose of paying the principal of and interest on bonds payable from the sinking fund as which there would otherwise default. The fund is required to be funded in an amount equal to the reserve fund requirement (\$51,711 at June 30, 2008).

(13) Employee Retirement

Substantially all City employees are covered under the Municipal Employees' Retirement System of Louisiana except firemen, policemen, and judges, who are covered under the Firefighters' Retirement System, Municipal Police Employees' Retirement System, and Louisiana State Employees' Retirement System, respectively. Details concerning these plans follow:

A. Municipal Employees' Retirement System of Louisiana

Plan description: The Municipal Employees' Retirement System of Louisiana (the System) is a cost-sharing multiple-employer public employee retirement system (PERS) as established and provided for by R.S. 11:1731 of the Louisiana Revised Statutes (LRS). The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Employees of the City are members of Plan B.

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week, not participating in another public funded retirement system and under age sixty (60) at date of employment. Those individuals paid jointly by a participating employer and the City are not eligible for membership in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service or at or after age 55 with 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their final compensation multiplied by the employee's years of creditable service. Final compensation is the employee's monthly earnings during the 36 consecutive or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by State statute.

The Municipal Employees' Retirement System of Louisiana issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Municipal

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809.

Funding policy: Plan members are required to contribute 5.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 6.75% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the System's Board of Trustees. The City's contributions to the System for the years ended June 30, 2008, 2007, and 2006, were \$57,306, \$73,688, and \$80,254, respectively equal to the required contributions for each year.

B. Municipal Police Employees' Retirement System

Plan description: The Municipal Police Employees' Retirement System (the System) is a cost-sharing multiple-employer public employee retirement system (PERS).

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing they do not have to pay social security and providing they meet the statutory criteria. Employees who retire at or after age 50 with at least 20 years of creditable service, or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit payable monthly for life, equal to 3-1/3% of their average final compensation multiplied by the employee's years of creditable service. Final compensation is the employee's monthly earnings during the 36 consecutive or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by State statute.

The Municipal Police Employees' Retirement System issues a publicly available report that includes financial statements and required supplemental information. That report may be obtained by writing to Municipal Police Employees' Retirement System, 8401 United Plaza Boulevard, Suite 270, Baton Rouge, Louisiana 70809-7017.

Funding policy: Plan members are required to contribute 7.5% of their annual covered salary and the City is required to contribute 13.75% as established by State statute. The City's contributions to the System for the years ended June 30, 2008, 2007, and 2006 were \$9,213, \$8,532, and \$3,589, respectively, equal to the required contributions for each year.

C. Firefighters' Retirement System

Plan description: The Firefighters' Retirement System (the System) is a cost-sharing multiple-employer public retirement system (PERS), as established and provided for by R.S. 11:2251 through 2269 of the Louisiana Revised Statutes (LRS).

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Membership is mandatory as a condition of employment beginning on date employed if the employee is on a permanent basis as a firefighter, not participating in another public funded retirement system and under age fifty (50) at date of employment. Employees who retire at or after age 50 with at least 20 years of creditable service, or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit payable monthly for life, equal to 3-1/3% of their average final compensation multiplied by the employee's years of creditable service. Final compensation is the employee's monthly earnings during the 36 consecutive or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by State statute.

The Firefighters' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. *That report may be obtained by writing to Firefighters' Retirement System, Post Office Box 94095 Capitol Station, Baton Rouge, Louisiana 70804-9095.*

Funding policy: Plan members are required to contribute 8.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 13.75% of annual covered payroll. The contribution requirements of Plan members are established and may be amended by the System's Board of Trustees. The City's contributions to the System for the years ended June 30, 2008, 2007, and 2006 were \$13,380, \$9,034, and \$12,775, respectively, equal to the required contributions for each year.

D. Louisiana State Employees' Retirement System

Plan description: The Louisiana State Employees' Retirement System (the System) is a single-employer public employee retirement system established under the provisions of Title II, Section 401, of the Louisiana Revised Statutes of 1991, controlled and administered by a separate board of trustees.

All State permanent employees are mandated by State Law to participate in the System and all elected or appointed officials are eligible to participate in the System. Employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit payable monthly for life, equal to 2-1/2% of their average annual compensation for every year of service plus \$300. Average compensation is the employee's monthly earnings during the 36 consecutive months that produce the highest average. Employees who terminate with at least the amount of creditable service stated previously and who do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by State statute.

The Louisiana State Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. *That report may be obtained by writing Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213.*

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Funding policy: Plan members (judges) are required to contribute 11.50% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 20.4% of annual covered payroll. The contribution requirements of Plan members and the City are established and may be amended by the System's Board of Trustees. The City's contributions to the System for the years ended June 30, 2008, 2007, and 2006 were \$2,393, \$3,358, and \$3,592, respectively, equal to the required contributions for each year.

(14) Litigation and Claims

In August of 1973, a judgment in the amount of \$189,540, plus interest, was rendered in favor of the plaintiff in the case of Leroy J. Romero, et al vs. the City of Kaplan. The United States Fidelity & Guaranty Insurance Company, the City's insurer, has paid its policy limits of \$100,000 plus interest, leaving an outstanding judgment against the City of Kaplan for \$89,540, plus interest.

In July of 2006, the City and the plaintiff in the above mentioned case agreed to a settlement in the amount of \$100,000. This settlement is to be paid in monthly installments of \$2,000 per month ending in June 2010.

Annual payments are due as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2009	\$ 24,000
2010	28,000
Totals	<u>\$ 52,000</u>

On January 3, 1994, the City entered into a consent judgment awarding Washington National Insurance Company \$25,988, plus attorney fees in the amount of \$6,000, plus legal interest from May 1, 1990 until paid for sums due on the group health and accident insurance policy.

In the opinion of the City's legal counsel, this judgment operates as an encumbrance against the City, although it is judicially unenforceable based on legal precedents, which have held that property, which is owned by the public and is being used for public purposes, is exempt from seizure. However, legal counsel further states that the property owned by a municipality, but which is being used in a nongovernmental, profit-making way, may be seized.

As a result of this legal opinion, no provisions have been made in the financial statements for the amount of the outstanding judgment.

The City is also a defendant in various other lawsuits; however, management and counsel for the City of Kaplan are unable to reasonably estimate at this time the amount of liability in excess of insurance coverage which may be incurred if adverse decisions are rendered.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(15) Enterprise Fund Operations

Operations of the City of Kaplan's Utility System consist of electric and gas distribution systems, and water and sewer utilities. The City purchases electricity and gas for resale in its distribution systems from Slemco and Magnum Gas Marketing Company, respectively.

Plant and equipment acquired by the utility fund in years prior to 1975 have not been segregated on the accounting records in such a manner that the actual investment in each of the operating utility systems can be determined. For financial statement purposes, depreciation on such plant and equipment during those fiscal years were allocated to the individual operating departments on the ratio of gross utility sales in each department. Depreciation on additions to plant and equipment since 1975, have been charged directly to the applicable department. Other operating revenues and expenses which cannot be identified as applicable to a single department have been allocated on the basis of gross utility sales or, if associated with payroll, on the basis of payroll costs in the individual departments.

Operating results of the individual utilities for the year ended June 30, 2008, are as follows:

	Electric Dept.	Gas Dept.	Water Dept.	Sewerage Dept.	Total Enterprise Fund
Operating revenues	\$ 4,983,515	\$ 813,663	\$ 476,722	\$ 503,893	\$ 6,777,793
Operating expenses :					
Depreciation	73,936	80,936	99,823	310,221	564,916
Other	<u>3,040,207</u>	<u>809,133</u>	<u>369,576</u>	<u>323,447</u>	<u>4,542,363</u>
Total operating expenses	<u>3,114,143</u>	<u>890,069</u>	<u>469,399</u>	<u>633,668</u>	<u>5,107,279</u>
Operating income	<u>\$ 1,869,372</u>	<u>\$ (76,406)</u>	<u>\$ 7,323</u>	<u>\$ (129,775)</u>	<u>\$ 1,670,514</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(16) Leases

A. Operating leases

The City is engaged in various operating leases for the use of machinery and equipment. Total expenditures for these leases totaled \$35,190 for the year ended June 30, 2008. The future minimum payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 56,519
2010	29,391
2011	24,670
2012	18,904
2013	<u>17,329</u>
Total	<u>\$ 146,813</u>

B. Capital Lease

The City has entered into a lease agreement as lessee for financing the acquisition of a sewer cleaner. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2008 are as follows:

<u>Year Ending December 31,</u>	
2009	\$ 8,843
2010	8,843
2011	8,843
2012	8,843
2013	<u>1,473</u>
Total minimum lease payments	36,845
Less: amount representing interest	<u>(3,340)</u>
Present value of minimum lease payments	<u>\$ 33,505</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(17) Compensation of City Officials

A detail of compensation paid to the Mayor and City Council for the year ended June 30, 2008, follows:

Linda Hardee , Mayor	\$ 25,500
City Council:	
Kirk Champagne	4,200
Charles Morrison	4,200
Gerard Jerry Touchet	4,200
Brent Dubois	4,200
Kevin Guidry	4,200
Total	<u>\$ 46,500</u>

(18) Risk Management

Effective August 1, 1990, the City established a risk management program for its group health and life insurance coverage and accounts for it in the Group Insurance Fund. This program provides employees and their dependents health benefits up to \$1,000,000 in a lifetime maximum. The City purchases commercial insurance for claims in excess of \$35,000 per individual per year of coverage provided by the program.

During the fiscal year 1991, the City adopted the provisions of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. As required by the standard, a reconciliation of claims liabilities is shown below. All funds of the City participate in the program and make payments to the Group Insurance Fund based on premiums needed to pay prior and current year claims, administrative cost, and commercial insurance premiums. For the year ended June 30, 2008, the claims liability of \$33,124 was reported in the Group Insurance Fund. The claims liability is based on the requirements of GASB Statement No. 10, which are that a liability for claims be reported as of the financial statement date if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

Reconciliation of Claims Liabilities

Unpaid claims at July 1, 2007	\$ 53,824
Claims incurred	197,360
Claims payments	<u>(218,060)</u>
Unpaid claims at June 30, 2008	<u>\$ 33,124</u>

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Claims payable of \$33,124 at June 30, 2008 was determined as follows:

A. Claims incurred prior to June 30, 2008 and paid in July, 2008 and August, 2008	\$ 30,522
B. Claims incurred prior to June 30, 2008 and pending at August 31, 2008	95
C. Provision for claims incurred but not reported	<u>2,507</u>
Total claims payable	<u>\$ 33,124</u>

The provision for claims incurred but not reported of \$2,507 was calculated utilizing historical information adjusted for current trends.

(19) Interfund Transactions

A. Interfund receivables and payables, by fund, at June 30, 2008 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major funds:		
General Fund	\$ 500	\$ 207,221
Sales Tax Fund	<u>432,752</u>	<u>-</u>
	<u>433,252</u>	<u>207,221</u>
Nonmajor funds:		
Fire Protection Fund	3,244	-
Police Special Fund	-	500
Capital Projects Fund	<u>17,194</u>	<u>100</u>
	<u>20,438</u>	<u>600</u>
Total governmental funds	<u>453,690</u>	<u>207,821</u>
Proprietary funds:		
Enterprise fund	<u>-</u>	<u>245,869</u>
Total	<u>\$ 453,690</u>	<u>\$ 453,690</u>

The amounts due from the General Fund to various other funds are for reimbursements owed for expenditures paid for those funds.

CITY OF KAPLAN, LOUISIANA

Notes to Basic Financial Statements (Continued)

B. Transfers consisted of the following at June 30, 2008:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General Fund	\$ 1,581,450	\$ 17,194
Sales Tax Fund	<u>1,904</u>	<u>388,136</u>
	<u>1,583,354</u>	<u>405,330</u>
Nonmajor funds:		
Capital Projects Fund	<u>22,853</u>	<u>1,904</u>
Total governmental funds	<u>1,606,207</u>	<u>407,234</u>
Proprietary funds:		
Enterprise fund	<u>382,477</u>	<u>1,581,450</u>
Total	<u>\$ 1,988,684</u>	<u>\$ 1,988,684</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF KAPLAN, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 64,250	\$ 64,250	\$ 67,115	\$ 2,865
Licenses and permits	144,900	144,900	219,765	74,865
Intergovernmental	18,000	18,000	105,787	87,787
Fines and forfeitures	25,000	25,000	32,586	7,586
Interest	-	-	547	547
Miscellaneous	51,850	51,850	41,535	(10,315)
Total revenues	<u>304,000</u>	<u>304,000</u>	<u>467,335</u>	<u>163,335</u>
Expenditures:				
Current -				
General government	664,808	664,808	637,508	27,300
Public safety				
Police	702,240	702,240	826,263	(124,023)
Fire	180,222	180,222	100,287	79,935
Streets, bridges, and drainage	441,775	441,775	334,972	106,803
Culture and recreation	22,955	22,955	35,446	(12,491)
Capital outlay	-	-	91,222	(91,222)
Total expenditures	<u>2,012,000</u>	<u>2,012,000</u>	<u>2,025,698</u>	<u>(13,698)</u>
Deficiency of revenues over expenditures	<u>(1,708,000)</u>	<u>(1,708,000)</u>	<u>(1,558,363)</u>	<u>149,637</u>
Other financing sources (uses):				
Transfers in	1,708,000	1,708,000	1,581,450	(126,550)
Transfers out	-	-	(17,194)	(17,194)
Total other financing sources (uses)	<u>1,708,000</u>	<u>1,708,000</u>	<u>1,564,256</u>	<u>(143,744)</u>
Net change in fund balance	-	-	5,893	5,893
Fund balance, beginning	<u>(74,052)</u>	<u>(74,052)</u>	<u>(74,052)</u>	-
Fund balance, ending	<u>\$ (74,052)</u>	<u>\$ (74,052)</u>	<u>\$ (68,159)</u>	<u>\$ 5,893</u>

CITY OF KAPLAN, LOUISIANA
Special Revenue Fund
Sales Tax Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales tax	\$ 604,000	\$ 604,000	\$ 590,291	\$ (13,709)
Interest income	<u>3,500</u>	<u>3,500</u>	<u>18,495</u>	<u>14,995</u>
Total revenues	<u>607,500</u>	<u>607,500</u>	<u>608,786</u>	<u>1,286</u>
Expenditures:				
Current -				
General government	-	-	60,892	(60,892)
Capital outlay	421,300	421,300	168,175	253,125
Debt Service -				
Principal retirement	-	-	5,973	(5,973)
Interest Expense	<u>-</u>	<u>-</u>	<u>1,396</u>	<u>(1,396)</u>
Total expenditures	<u>421,300</u>	<u>421,300</u>	<u>236,436</u>	<u>184,864</u>
Excess of revenues over expenditures	186,200	186,200	372,350	186,150
Other financing sources (uses):				
Proceeds from capital lease	-	-	39,478	39,478
Transfers in	-	-	1,904	1,904
Transfers out	<u>(186,200)</u>	<u>(186,200)</u>	<u>(388,136)</u>	<u>(201,936)</u>
Total other financing sources (uses)	<u>(186,200)</u>	<u>(186,200)</u>	<u>(346,754)</u>	<u>(160,554)</u>
Net change in fund balance	-	-	25,596	25,596
Fund balances, beginning	<u>1,104,011</u>	<u>1,104,011</u>	<u>1,104,011</u>	<u>-</u>
Fund balances, ending	<u>\$1,104,011</u>	<u>\$1,104,011</u>	<u>\$1,129,607</u>	<u>\$ 25,596</u>

OTHER SUPPLEMENTARY INFORMATION

OTHER FINANCIAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Parish Fire Protection Fund -

To account for monies received from the Vermilion Parish Police Jury to defray costs of the fire department.

Police Special Fund -

To account for monies received from a 15% dedication of court fines received by the General Fund and used to defray costs of the police department.

NONMAJOR DEBT SERVICE FUNDS

To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

General Obligation Refunding Bonds, Series 2005 and General Obligation Bonds, Series 2005

To accumulate monies for the General Obligation Bonds, Series 2005 A & B issued in the amounts of \$550,000 and \$367,000, respectively. Debt service is financed by specifically dedicated ad valorem tax levies.

NONMAJOR CAPITAL PROJECTS FUND

LCDBG Street Improvement Fund

To account for capital improvements within the City. Improvements are funded by federal grants and general fund monies.

CITY OF KAPLAN, LOUISIANA

Nonmajor Governmental Funds

Combining Balance Sheet
June 30, 2008

	<u>Special Revenue</u>		<u>Debt Service</u>		
			General Obligation Refunding		
	Fire Protection Fund	Police Special Fund	Bonds Series 2005 Fund	Capital Projects Fund	Totals
ASSETS					
Cash and cash equivalents	\$ 41,450	\$10,560	\$ 71,860	\$ 3,855	\$127,725
Due from other governmental entities	-	262	-	73,303	73,565
Due from other funds	3,244	-	-	17,194	20,438
Accrued interest receivable	35	-	-	-	35
Other receivables	-	237	-	-	237
Total assets	<u>\$ 44,729</u>	<u>\$11,059</u>	<u>\$ 71,860</u>	<u>\$ 94,352</u>	<u>\$222,000</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,278	\$ -	\$ -	\$ -	\$ 1,278
Contract payable	-	-	-	81,447	81,447
Retainage payable	-	-	-	9,050	9,050
Due to other funds	-	500	-	100	600
Total liabilities	<u>1,278</u>	<u>500</u>	<u>-</u>	<u>90,597</u>	<u>92,375</u>
Fund balances:					
Reserve for debt retirement	-	-	71,860	-	71,860
Unreserved - undesignated	<u>43,451</u>	<u>10,559</u>	<u>-</u>	<u>3,755</u>	<u>57,765</u>
Total fund balances	<u>43,451</u>	<u>10,559</u>	<u>71,860</u>	<u>3,755</u>	<u>129,625</u>
Total liabilities and fund balances	<u>\$ 44,729</u>	<u>\$11,059</u>	<u>\$ 71,860</u>	<u>\$ 94,352</u>	<u>\$222,000</u>

CITY OF KAPLAN, LOUISIANA

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2008

	<u>Special Revenue</u>		<u>Debt Service</u>		
			General Obligation Refunding		
	<u>Fire Protection Fund</u>	<u>Police Special Fund</u>	<u>Bonds Series 2005 Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
Revenues:					
Taxes	\$ -	\$ -	\$ 97,259	\$ -	\$ 97,259
Intergovernmental	276,550	20,000	-	73,303	369,853
Fines	-	5,705	-	-	5,705
Interest income	196	-	1,223	-	1,419
Miscellaneous	<u>3,372</u>	<u>980</u>	<u>-</u>	<u>-</u>	<u>4,352</u>
Total revenues	<u>280,118</u>	<u>26,685</u>	<u>98,482</u>	<u>73,303</u>	<u>478,588</u>
Expenditures:					
Public safety -					
Police	-	4,997	-	-	4,997
Fire	52,150	-	-	-	52,150
Capital outlay	219,623	21,105	-	90,497	331,225
Debt service -					
Principal retirement	-	-	56,000	-	56,000
Interest paid	<u>-</u>	<u>-</u>	<u>32,693</u>	<u>-</u>	<u>32,693</u>
Total expenditures	<u>271,773</u>	<u>26,102</u>	<u>88,693</u>	<u>90,497</u>	<u>477,065</u>
Excess (deficiency) of revenues over expenditures	<u>8,345</u>	<u>583</u>	<u>9,789</u>	<u>(17,194)</u>	<u>1,523</u>
Other financing sources (uses):					
Transfers in	-	-	-	22,853	22,853
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,904)</u>	<u>(1,904)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,949</u>	<u>20,949</u>
Net change in fund balances	8,345	583	9,789	3,755	22,472
Fund balances, beginning	<u>35,106</u>	<u>9,976</u>	<u>62,071</u>	<u>-</u>	<u>107,153</u>
Fund balances, ending	<u>\$ 43,451</u>	<u>\$ 10,559</u>	<u>\$ 71,860</u>	<u>\$ 3,755</u>	<u>\$ 129,625</u>

CITY OF KAPLAN, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Number of Utility Customers
(Unaudited)
June 30, 2008 and 2007

Records maintained by the City indicated the following number of customers were being serviced during the month of June, 2008 and 2007.

<u>Department</u>	<u>2008</u>	<u>2007</u>
Electric (metered)	2,118	2,136
Gas (metered)	1,664	1,694
Water (metered)	2,342	2,356
Sewerage	2,180	2,195

CITY OF KAPLAN, LOUISIANA

Schedule of Insurance in Force
(Unaudited)

Year Ended June 30, 2008.

Insurer	Assets Covered	Risks Covered	Limits of Coverage (in Dollars)	Expiration Date
Louisiana Municipal Risk Management Association	Municipal employees	Workmen's compensation, Employer liability	Statutory	5/7/2009
Lloyd's of London	All assets, with certain listed exceptions	Fire, lightning and extended coverage; malicious mischief	\$8,239,930	9/1/2008
Louisiana Municipal Risk Management Association	Automobiles	Bodily injury	500,000	1/1/2009
		Property damage	500,000	1/1/2009
Louisiana Municipal Risk Management Association	Police operations	General liability	500,000	1/1/2009
Louisiana Municipal Risk Management Association	Public officials	General liability	500,000	1/1/2008
Audubon Indemnity Company	Automobiles	Physical damage	362,808	12/5/2008
Fireman's Fund- Hopkin's Agency	Fire operations	Portable Equipment	Replacement Cost	8/28/2009
Western Surety Company	Police Officer	Dishonesty Bond	10,000	7/29/2009
Western Surety Company	Deputy City Marshall	Dishonesty Bond	5,000	1/1/2009
Zurich North America	Public Official	Dishonesty Bond	100,000	1/1/2009
Fidelity & Deposit Company of Maryland	City Clerk	Blanket Bonds	100,000	Upon Termination

CITY OF KAPLAN, LOUISIANA
Enterprise Fund
Utility Fund

Comparative Departmental Analysis of Revenues and Expenses
Years Ended June 30, 2008 and 2007

	Electricity		Gas		Water		Sewerage		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Operating revenues:										
Customers service charges	<u>\$4,983,515</u>	<u>\$4,705,307</u>	<u>\$ 813,663</u>	<u>\$ 840,305</u>	<u>\$ 476,722</u>	<u>\$494,364</u>	<u>\$ 503,893</u>	<u>\$523,234</u>	<u>\$6,777,793</u>	<u>\$6,563,210</u>
Operating expenses:										
Salaries	187,018	165,731	83,840	74,109	91,670	61,477	93,595	90,969	456,123	392,286
Benefit payments:										
Payroll taxes	13,510	11,691	6,233	5,720	6,834	5,020	6,976	6,199	33,553	28,630
Retirement	11,358	14,963	5,379	7,364	3,358	4,532	5,649	7,438	25,744	34,297
Insurance - Employees	28,124	43,377	15,750	27,828	13,699	18,052	13,429	28,882	71,002	118,139
Insurance	36,341	35,800	18,301	12,658	37,202	43,217	25,215	34,045	117,059	125,720
Electricity and gas purchased	2,665,861	2,446,055	584,784	586,367	-	-	-	-	3,250,645	3,032,422
Operating supplies	26,089	49,856	36,327	24,331	30,856	22,871	19,591	15,519	112,863	112,577
Office supplies and expenses	431	8,100	1,026	3,141	5,433	2,452	3,076	7,759	9,966	21,452
Professional fees	504	10,716	2,539	2,267	37,541	17,755	10,550	9,198	51,134	39,936
Repairs and maintenance	50,761	22,670	48,575	29,748	63,202	70,859	78,159	64,238	240,697	187,515
Telephone and utilities	3,090	1,807	447	102	74,699	107,325	64,347	28,296	142,583	137,530
Bad debt expense	7,634	1,473	2,180	434	1,138	332	1,607	200	12,559	2,439
Depreciation	73,936	72,316	80,936	78,381	99,823	96,403	310,221	293,279	564,916	540,379
Miscellaneous	9,486	9,498	3,752	1,658	3,944	2,454	1,253	1,421	18,435	15,031
Total operating expenses	<u>3,114,143</u>	<u>2,894,053</u>	<u>890,069</u>	<u>854,108</u>	<u>469,399</u>	<u>452,749</u>	<u>633,668</u>	<u>587,443</u>	<u>5,107,279</u>	<u>4,788,353</u>
Net operating income (loss)	<u>\$1,869,372</u>	<u>\$1,811,254</u>	<u>\$ (76,406)</u>	<u>\$ (13,803)</u>	<u>\$ 7,323</u>	<u>\$ 41,615</u>	<u>\$ (129,775)</u>	<u>\$ (64,209)</u>	<u>\$1,670,514</u>	<u>\$1,774,857</u>

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Linda Hardee, Mayor
and Members of the City Council
City of Kaplan, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kaplan, Louisiana, as of and for the year ended June 30, 2008, which collectively comprise the City of Kaplan, Louisiana's basic financial statements and have issued our report thereon dated November 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Kaplan, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kaplan, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Kaplan, Louisiana's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Kaplan, Louisiana's ability to initiate, authorize, record, process, or report financial data in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Kaplan, Louisiana's financial statements that is more than inconsequential will not be prevented or detected by the City of Kaplan, Louisiana's internal control. We consider the deficiencies described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 08-1(IC) and 08-2(IC) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Kaplan, Louisiana's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the significant deficiencies identified as items 08-1(IC) and 08-2(IC) in the accompanying schedule of current and prior year audit findings and management's corrective action plan are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kaplan, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as items 08-3(C) and 08-4(C).

The City of Kaplan's response to the findings identified in our audit is described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
November 11, 2008

CITY OF KAPLAN, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2008

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (6/30/08) --						
<u>Internal Control</u>						
08-1(IC)	Unknown	The City does not have adequate segregation of functions within the accounting system.	No	The City will take measures to ensure that there is adequate segregation of functions within the accounting system.	Linda Hardee, Mayor	6/30/2009
08-2(IC)	Unknown	The City does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements; including the related notes.	No	The City has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the City to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Linda Hardee, Mayor	N/A
<u>Compliance</u>						
08-3(C)	6/30/2008	The City was not in compliance with the budget law LA R.S. 39:1301-15 due to the budget for fiscal year ended June 30, 2008 not being adopted and finalized prior to the beginning of the fiscal year.	No	The City will make sure that the budget is adopted timely in order to comply with the budget law.	Linda Hardee, Mayor	6/30/2009
08-4(C)	6/30/2008	The City was not in compliance with LA R.S. 39:1305E which states that the total proposed expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year. For the fiscal year ended June 30, 2008, the City budgeted a deficit in the General Fund.	No	The City will make sure that future budgets do not result in a deficit.	Linda Hardee, Mayor	Immediately

(continued)

CITY OF KAPLAN, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended June 30, 2008

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
PRIOR YEAR (6/30/07) --						
<u>Internal Control</u>						
07-1(IC)	Unknown	The City does not have adequate segregation of functions within the accounting system.	No	The City will take measures to ensure that there is adequate segregation of functions within the accounting system.	Linda Hardee, Mayor	N/A
07-2(IC)	Unknown	The City does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.	No	The City has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the City to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Linda Hardee, Mayor	N/A